

SPAWARINST 7540.4E  
SPAWAR 00G  
9 Oct 02

SPAWAR INSTRUCTION 7540.4E

From: Commander, Space and Naval Warfare Systems Command

Subj: RELATIONS WITH AUDIT AGENCIES AND THE SURVEYS AND  
INVESTIGATIONS STAFF (S&IS) OF THE HOUSE APPROPRIATIONS  
COMMITTEE (HAC)

Ref: (a) SECNAVINST 5740.26B  
(b) SECNAVINST 5740.25D  
(c) SECNAVINST 7510.7E  
(d) SECNAVINST 5740.29  
(e) SECNAVINST 5200.34D

1. Purpose. To provide guidance and direction to Space and Naval Warfare Systems Command (SPAWAR) Program Managers, Directorate and Staff Code Heads and their staffs, as well as to SPAWAR's Echelon III commands and activities per references (a) through (e) with respect to the General Accounting Office (GAO), the DOD Office of the Assistant Inspector General for Auditing (AIG(A)), the Naval Audit Service (NAVAUDSVC), and the Surveys and Investigations Staff (S&IS) of the House Appropriations Committee (HAC) relative to: (1) working with auditors and S&IS personnel during their surveys, reviews and audits of SPAWAR and SPAWAR's Echelon III commands and activities, (2) granting access/release of DON records and information, (3) ensuring SPAWAR comments on audit reports are timely, responsive and representative of the SPAWAR position, and (4) taking follow-up actions on the findings and recommendations published by the specified audit organizations.

2. Cancellation. SPAWARINST 7540.4D.

3. Background

a. There is increasing Congressional interest in the review and analysis of government operations, including those of the Department of the Navy (DON). This review and analysis takes several forms including reviews of audits performed by GAO, AIG(A), NAVAUDSVC and the S&IS. These audit reports have a substantial impact on congressional and public views

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concerning DON activities, and can also impact such areas as funding and resourcing.

b. References (a) through (c) contain specific details as to the nature of GAO, AIG(A), and NAVAUDSVC operations and relationships with audited activities. These references also emphasize the requirement for timely and responsive replies to audit reports and promulgate guidance for preparation and coordination of management responses. Reference (d) provides guidance to DON personnel in their relations with members of the S&IS. Follow-up procedures and related reporting requirements for audit reports are outlined in reference (e).

#### 4. Policy

a. DON policy is to cooperate fully with audit organizations. Commander, Space and Naval Warfare Systems Command (COMSPAWAR) fully supports the concept of cooperation with representatives of audit agencies. This includes taking full advantage of audit findings and recommendations to improve SPAWAR claimancy operations.

b. The pursuit of integrity and efficiency, and the elimination of fraud, waste and abuse, is a major objective of the DON. COMSPAWAR requires that SPAWAR claimancy personnel take prompt action to correct and prevent recurrence of deficiencies identified in reports of audit organizations.

5. Procedures and Responsibilities. SPAWAR and each of its subordinate commands and activities shall designate an Audit Liaison POC to ensure adherence with this instruction and related SECNAV policy. Each Command POC will be tasked with coordinating, monitoring and tracking external audits and reporting all external audit activity as required. This responsibility for SPAWAR is tasked to SPAWAR 00G.

#### a. Initial Contact

(1) SPAWAR claimancy employees initially contacted directly by representatives of audit agencies/S&IS should note the auditor's name and telephone number, title of the audit being performed, and the audit number/code or project number. Specific details concerning the audit subject should not be discussed until the respective Audit Liaison POC has approved

release of requested information and authorized direct contact with the audit agency/S&IS.

(2) SPAWAR claimancy employees should not arrange meetings or hold discussions with auditors based on a phone call from their sponsor or any other person in OPNAV or external commands until the appropriate Audit Liaison POC has been contacted and has provided an authorization to proceed.

(3) The Audit Liaison POC is contacted to ensure that audit queries are consistent with audit objectives, to provide available background data/documents and direction to SPAWAR claimancy personnel, and to ensure that security clearances and an announcement of the audit or survey are on hand. In some instances, the Audit Liaison POC may be able to meet the audit agencies requirements with readily available information, thereby precluding a site visit.

b. Entrance Conference. When notified of the initiation of an audit, the Audit Liaison POC will arrange for an entrance conference between auditors and pertinent command representatives. The purpose of this conference is to gain a mutual understanding of the audit background, scope, specific objectives, timeframe, locations to be visited, audit methodology, and milestones for completion. A request for an exit conference will be made at this time. Any specific expectations regarding the exit conference should also be addressed.

c. Access to Management Information. Auditors should be provided access to information and records as necessary to carry out their statutory responsibilities.

(1) Specific regulations with respect to GAO's, AIG(A)'s and NAVAUDSVC's access to information are contained in references (a), (b) and (c).

(2) All SPAWAR claimancy personnel shall make every effort to promptly respond to requests for information and shall respond to such requests within the time periods established by the requester. If established response times cannot be met, or are otherwise unreasonable, the command Audit Liaison POC should be advised of the problem and pursue resolution.

(3) SPAWAR claimancy personnel have the responsibility to ensure that the information provided to auditors is factual, accurate, complete, and current.

(4) Perceived conflicts between auditors' queries for information and audit scope and any questions regarding access/release of information to auditors shall be referred to the command Audit Liaison POC for resolution.

d. Exit Conference. The command Audit Liaison POC will coordinate an exit conference with audit agencies at the conclusion of each audit. The exit conference provides an opportunity for the auditors to present the audit findings and recommendations. It allows managers and auditors to discuss factual inaccuracies, resolve as many disagreements as possible at the activity level and may result in agreed-to changes to draft findings and recommendations prior to their inclusion in a report.

e. Management Responses to Audit Reports. SPAWAR claimancy managers should attempt to correct actual deficiencies identified by auditors as soon as reasonably possible. Correction of such deficiencies prior to the issuance of a draft or final report by the audit agency should be favorably reflected in the final report. Upon receipt of an audit report, the command Audit Liaison POC will provide detailed guidance for the preparation of responses and coordinate the command response. Management input to the response should adhere to the following:

(1) Comments on audit reports should be accurate, clear, positive, and objective. Existing problems should be acknowledged and applicable corrective actions indicated; pertinent omissions or inaccuracies in reported findings and conclusions should be specifically and judiciously cited. Refute inaccurate statements or unsound conclusions on the basis of fact or logic. Place a critical statement in proper perspective, relating it to the timeframe of the reported deficiency and conditions existing at the time, and obtain legal review, as necessary. The relevance of the finding should also be addressed. Avoid contentious language, tone and opinions not supported by fact.

(2) The management response shall express explicit concurrence or nonconcurrence with reported findings and

recommendations. If management has a preferred alternative for correcting the problem, it should be clearly explained in the response statement. Concurrence with a finding or recommendation must be accompanied by completion dates for corrective actions taken and realistic and reasonable target dates for accomplishing planned corrective actions. Any nonconcurrence to a finding or recommendation must be fully explained.

(3) Ensure that applicable monetary benefits discussed in a report as a savings or a cost avoidance are specifically addressed in the response. The alleged savings or cost avoidance should be confirmed, refuted, or corrected, as appropriate. Conversely, increased costs that might result from a report's finding or recommendation should also be addressed. Amounts that cannot be verified should be discussed with the auditors promptly and resolved.

f. Audit Liaison POC Responsibilities. The command Audit Liaison POC is assigned to maintain liaison with the audit organizations (GAO, AIG(A), NAVAUDSVC) and S&IS, and with OSD/OASN/OPNAV/ NAVCOMPT and other organizations on audit matters. SPAWAR HAC visits, other than S&IS, are coordinated through SPAWAR OOP (Public Affairs Office (PAO)). The command Audit Liaison POC will handle administrative, technical and reporting responsibilities as follows:

(1) Administrative

(a) Ensure a prompt and effective discharge of assigned responsibilities.

(b) Ensure receipt of Announcement Letters and Visit Requests to confirm audit objectives and security clearances.

(c) Arrange and attend all entrance and exit conferences.

(d) Arrange, as necessary, for auditors to meet command personnel or visit other offices/locations.

(e) Arrange for temporary workspace and telephone access for visiting auditors.

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(f) Coordinate the preparation of replies to audit reports and responses to data calls.

(g) Monitor the implementation of corrective action required in connection with audit reports.

(h) Maintain an official file on each audit survey, review and report of interest to SPAWAR.

(i) Provide closed audit files to the Management Control Program (MCP) Coordinator for review. The MCP Coordinator tracks external audits against the Inventory of Assessable Units as possible Alternate Management Control Reviews (AMCR) and tracks material weaknesses and corrective actions for necessary reporting under the MCP requirements.

(2) Technical

(a) Provide guidance on the release of information to auditors and S&IS staff.

(b) Represent SPAWAR on issues of controversy surrounding audits scheduled or in process.

(c) Assist in resolving problems that may arise, including the resolution of differences on audit recommendations.

(d) Arrange for contact with audit personnel to obtain clarification of statements and/or additional facts or data.

(e) Ensure appropriate internal distribution of draft and final audit reports.

(f) Assign action responsibility and due dates to specific elements of SPAWAR to provide comments to the Audit Liaison POC on audit findings and recommendations in audit reports, and furnish the SPAWAR action offices with pertinent guidance relative to the report.

(g) Provide guidance and assistance to action offices in the preparation of responses and administrative procedures pertaining to the preparation, review, evaluation and release of such responses.

(h) Control and monitor progress on the preparation of responses to audit reports to ensure timely and responsive comments to findings, recommendations and monetary benefits claimed.

(i) Ensure that responses to monetary benefits claimed in audit reports are specifically addressed during discussions with the auditors and subsequent replies.

(j) Consider the applicability of audit report findings to functions and/or elements of the organization not covered by the report.

(k) Obtain legal review, as appropriate, on responses.

### (3) Reporting

(a) Prepare command mandated internal reports, such as monthly Audit Liaison Status Reports.

(b) Prepare semiannual follow-up status reports to NAVINSGEN on the status of actions taken to correct deficiencies reported in audit reports.

(c) Prepare onsite verification reports to NAVINSGEN for all significant recommendations.

### g. SPAWAR/Echelon III Program Directorates, Codes and Staff Offices will:

(1) Provide a current "point of contact" for all audit liaison/S&IS matters to the Audit Liaison POC when requested.

(2) Cooperate with audit agencies/S&IS staff and the command Audit Liaison POC in responding to audit queries and in making pertinent information available.

(3) Adhere to established deadlines, as determined by the Audit Liaison POC, for responding to audit reports based on time requirements of higher authority.

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(4) Ensure that applicable audit findings and recommendations are adequately addressed in comments to audit reports.

(5) Ensure that reported monetary benefits claimed in audit reports are specifically addressed in responses.

h. Echelon III Commands and Activities will:

(1) Advise SPAWAR 00G of the name, code and phone numbers of the Audit Liaison POC for the command.

(2) Ensure that appropriate command personnel are advised of pertinent provisions of this and other referenced instructions.

(3) Perform follow-up on activity compliance with audit recommendations. Provide status reports to SPAWAR 00G when requested.

(4) Coordinate with SPAWAR 00G on all matters related to audits and S&IS matters.

(5) Ensure that the policy and general procedures contained in this instruction are incorporated in local directives, as appropriate.

(6) Coordinate with the SPAWAR MCP Coordinator regarding all material control weaknesses identified in final external audit reports compliant with the requirements of SPAWARINST 5041.2A, Chapter 3.

/s/  
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Distribution:  
SPAWAR List 4  
SNDL Part II  
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